

Message Text

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12

ACTION EA-14

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-09 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-14 USIA-12 T-03

EB-11 COME-00 INT-08 TRSE-00 OMB-01 SCEM-02 SCI-06

CEQ-02 EPA-04 RSR-01 /117 W
----- 108266

R 210720 Z MAR 73
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 0573
INFO AMCONSUL BRISBANE
AMCONSUL MELBOURNE
AMCONSUL PERTH
AMCONSUL SYDNEY
AMCEMBASSY TOKYO

C O N F I D E N T I A L CANBERRA 1614

E. O. 11652: GDS
TAGS: EMIN ENRG AS
SUBJECT: MINING: PRIME MINISTER OUTLINES GOA POLICY

REF: (A) CANBERRA 1334; (B) CANBERRA 1240;
(C) CANBERRA 686 - ALL NOTAL ; AND
(D) CANBERRA 998

1. SUMMARY: IN MAJOR POLICY SPEECH, PRIME MINISTER WHITLAM HAS OUTLINED GOA ATTITUDE ON MANY KEY MINING ISSUES. WHITLAM STRESSED NEED FOR AUSTRALIAN OWNERSHIP, REVALUATION ADJUSTMENT BY JAPANESE, FAIR EXPORT PRICES, GREATER LOCAL PROCESSING AND OTHER THEMES. SPEECH WIDELY REPORTED. EMBASSY BELIEVES WHITLAM ATTITUDE BASICALLY POSITIVE AND PARTIALLY DISPELS UNCERTAINTY OVER GOA'S POSITION ON FOREIGN INVESTMENT IN MINING. WHITLAM CLEARLY LESS NATIONALISTIC THAN MINERALS AND ENERGY MINISTER CONNOR.

2. IN WELL PUBLICISED MARCH 19 SPEECH TO AUSTRALIAN MINING INDUSTRY
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COUNCIL (AMIC), PRIME MINISTER GAVE FIRST PUBLIC INDICATION OF HIS GOVERNMENT' S ATTITUDES ON VARIETY MINING ISSUES. AFTER NOTING " IMMENSE BENEFITS" MINING INDUSTRY HAS BROUGHT TO AUSTRALIA, WHITLAM SAID GOA' S BASIC OBJECTIVE IS " TO OBTAIN BEST RETURN FOR AUSTRALIA CONSISTENT WITH REALITIES OF MARKET PLACE AND BALANCED MINERAL DEVELOPMENT." PRIME MINISTER ALSO EMPHASIZED NEED FOR " GREATEST POSSIBLE MEASURE OF AUSTRALIAN OWNERSHIP AND PARTICIPATION IN MINING." HE NOTED INDUSTRY ALREADY 62 PERCENT FOREIGN- OWNED AND STRESSED " WE DO NOT WANT THAT FIGURE TO GO HIGHER."

3. OTHER MAJOR PROINTS MADE BY WHITLAM INCLUDE:

(A) REVALUTION COMPENSATION: GOA WILL NTO COMPENSATE MINING COMPANIES HOLDING US DOLLAR EXPORT CONTRACTS FOR THREE APPRECAIATIONS OF AUSTRALIAN DOLLAR IN LAST 16 MONTHS BUT WILL USE " ALL OUR INFLUENCE" TO OBTAIN SUTIABLE RELIEF FROM JAPANESE IMPORTERS (CANBERRA 998). NEGOTIATIONS FOR SUCH RELIEF WOULD HAVE LITTLE PROSPECT OF SUCCESS WHERE GOA TO INDICATE WILLINGNESS TO COMPENSATE. FUTURE EXPORT CONTRACTS SHOULD BE WRITTEN IN AUSTRALIAN DOLLARS OR PROVIDE FOR " STABILITY OF RETURNS " IN AUSTRALIAN DOLLARS.

(B) GOA WILL ENCOURGE MORE LOCAL PROCESSING OF MINERALS WHERE SUCH IS ECONOMIC, BUT HAS NO WISH " TO CUT OFF SUPPLIES OF RAW MATERIALS TO VALUED BUSINESS PARTNERS IN OTHER COUNTRIES." AUSTRALIA WILL NOT " EXPLOIT" JAPANESE DEPENDENCE ON ITS MINERALS AND ENERGY EXPORTS. HOWEVER , GOA DOES NOT REGARD " RAPE OF OUR RESOURCES AS INEVITABLE" AND " DOES NOT INTEND TO LIE BACK AND ENJOY IT".

(C) SOME OF INDUSTRY' S FINANCIAL PROBLEMS DUE TO PAST NEGOTIATIONS WITH " GROUP BUYERS." NEW GOA EXPORT CONTROL MECHANISM (CANBERRA 686) HOPEFULLY WILL PREVENT INDIVIDUAL AUSTRALIAN SUPPLIERS FROM " BEING PICKED OFF, ONE BY ONE, BY OVERSEAS CARTELS."

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(D) FUTURE MINERAL DEVELOPMENT MUST NOT

CONFLICT WITH RIGHTS OF ABORIGINALS AND REQUIREMENTS
OF TOTAL ENVIRONMENT.

(E) "FREE- WHEELING APPRACH " OF PREVIOUS
GOA IS GONE, AND AUSTRALIA NOW INTENDS TO BE
" MISTRESS OF HER OWN HOUSEHOLD." GOA SEEKS NOT
TO HAMPER BUT TO HELP MINING INDUSTRY. HOWEVER,
IT WILL LOOK TO COUNTRY' S LONG TERM" INTERESTS.
INDUSTRY WILL BENEFIT FROM GOVERNMENT' S PARTICIPATION."

4. PRESS COMMENT: SPEECH RECEIVED WIDE PRESS PLAY
BUT LITTLE EDITORIAL COMMENT AS YET. MARCH 20,
AUSTRALIAN SENSATIONALIZED COVERAGE WITH FRONT- PAGE
LEAD STORY HEADLINED" EXPLOITATION OF MINERALS
MUST END, SAY WHITLAM, ' RAPE OF RESOURCES IS NOT
INEVITABLE.'" OTHER TREATMENT MORE BALANCED.
MARCH 21 AUSTRALIAN EDITORIAL NOTED NEED FOR RAPID
DEVELOPMENT NOW LAST OF CANBERRA' S PRIORITIES AND
URGED GOA TO MOVE QUICKLY TO PUT ITS POLICY INTO
PRACTICE. OTHER MAJOR PAPERS HAVE YET TO COMMENT.

5. EMBASSY COMMENT: WHITLAM' S STATEMENTS WERE
NOT UNEXPECTED AND GENERALLY REASONABLE, ALTHOUGH
MORE SPECIFIC POLICY IMPLEMENTATION AND CONTINUITY
NEED FOR FOREIGN INVESTMENT WOULD HAVE BEEN WELCOME.

HIS VIEWS NOTABLY MORE MODERATE THAN THOSE RECENTLY
EXPRESSED TO AMBASSADOR BY MINERALS AND ENERGY
MINISTER CONNOR (CANBERRA 1240 AND 1334), WHO
AT ONE POINT INSISTED " THERE WILL BE NO FOREIGN
EQUITY PARTICIPATION IN NEW VENTURES." AMIC
EXECUTIVE DIRECTOR PHILLIPS TOLD AMBASSADOR
SPEECH - WASN' T TOO BAD," ALTHOUGH HE HAD HOPED
WHITLAM WOULD COMMENT ON RECENT PUNITIVE 25
PERCENT DEPOSIT REQUIREMENT ON OVERSEAS BORROWINGS
AND OTHER INDUSTRY PROBLEMS. PRIME MINISTER' S
STATEMENT THAT FOREIGN OWNERSHIP OF INDUSTRY SHOULD
NOT EXCEED PRESENT 62 PERCENT, IS AT LEAST
TACIT ACKNOWLEDGEMENT THAT OVERSEAS CAPITAL STILL
EXPECTED. MOST CRITICAL COMMENTS (" RAPE)," OVERSEAS
CARTELS", ETC.) APPARENTLY AIMED AT JAPANESE,
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ALTHOUGH WHITLAM DID GO OUT OF WAY TO SOOTHE
JAPANESE BY DISAVOWING INTENT TO " EXPLOIT" THEIR
DEPENDENCE ON AUSTRALIAN EXPORTS. IN SUM, WHITLAM
HAS HELPED DISPEL PREVIOUS UNCERTAINTY OVER GOA
POLICY, ALTHOUGH MANY QUESTIONS REMAIN.

RICE

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